



**Proceedings of a Committee of Selected Co-operators,
United Provinces.**

March 29th, 30th, and 31st, 1919.

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SUBJECTS DISCUSSED.

	Page.
I.—The revision of the arbitration rules	1
II.—Amendment of Government rule 31 so as to allow of the undistributed profits of one year being carried over to the following year's accounts	5
III.—Exclusion of over-due interest from distributable profits and how to deal with it in the accounts	5
IV.—Nomination of successors by the shareholders of central societies	6
V.—Instructions relating to the liquidation of old debts of members of primary societies	6
VI.—The legality and suitability of the pronote	8
VII.—Need for a uniform levy of audit fees from registered societies to enable the Registrar to employ a permanent staff for the original annual audit	9
VIII.—Revised rules for liquidation proceedings	12
IX.—How to avoid cancellation of registration of good primary societies when their central society is liquidated	14
X.—Disposal of the "Reserve Fund" of liquidated primary societies	14
XI.—The points raised in G. O. no. 275/1-441, dated the 6th February, 1919, being the review of the Local Government of the annual report submitted by the Registrar for the year ending on the 30th June, 1918	15
XII.—The question of purchase from growers and re-sale to consumers of improved agricultural crops through co-operative societies and	
XIII.—The desirability of establishing dépôts as branches of central societies for the supply of seed and implements to agricultural members	16
XIV.—Steps to be taken by co-operative societies to help the weavers in purchasing raw materials and selling the produce of the looms	17
XV.—The most suitable organisation for the financing and supervision of groups of primary societies formed in large estates at the request of their proprietors	18
XVI.—The circulars issued by the department for the safe custody of cash of co-operative societies	18
XVII.—Rai Saheb Sarup Singh's plea for some arrangement to utilise the surplus funds of one Central Bank in the business of another where they may be needed	29
XVIII.—Consideration of the byelaws of the co-operative organisation society of Bengal with a view to deciding if one cannot be stated here on that model	19
XIX.—Suggestions by Rai Ganga Pershad Bajadur of Mainpuri to get a statement from District and Central Banks classifying the members of their primary societies according to the areas of their respective holdings	20
XX.—Reduction of rate of interest and charge for supervision, etc., in the case of primary societies which have accumulated substantial "own" capital	20

Proceedings of a Committee of Selected Co-operators called by the Registrar to discuss and advise on certain matters of importance to the movement.

The committee met at the office of the Registrar on the 29th, 30th, and 31st March, 1919, and was attended by the following co-operators, viz. :—

- (1) Shaikh Makbul Hosain, C.I.E., Khan Bahadur, Registrar of Co-operative Societies, United Provinces.
- (2) Chaudhri Wajid Husain, Khan Bahadur, Joint Registrar of Co-operative Societies, United Provinces.
- (3) Babu Ram Saren Das, B.A., First Assistant Registrar, Co-operative Societies, United Provinces.
- (4) Mr. S. W. Bobb, B.A., Second Assistant Registrar, Co-operative Societies, United Provinces.
- (5) Rai Mohan Lal Bahadur of Hardoi.
- (6) Rai Ganga Parshad Bahadur of Mainpuri.
- (7) Rai Ishwar Sahai Bahadur of Fatehpur.
- (8) Rai Sarup Singh Sahab of Bijnor.
- (9) Rai Gopal Das Sahab of Orai (Jalaun).
- (10) Khan Kabool Ahmad Sahab of Sandila.
- (11) Saiyed Zahur Ahmad of Lucknow.
- (12) Babu Daya Shankar of Budaun.
- (13) Pandit Bishambhar Nath Bajpai of Unao.
- (14) Babu Radha Mohan of Jaunpur.
- (15) ~~Babu Thakur Parshad of Banda.~~
- (16) Babu Sheo Balak Ram of Benares.
- (17) M. Yusuf Ali, Government Inspector.
- (18) Thakur Tilak Dhari Singh, Government Inspector.
- (19) M. Murtaza Ali, Government Inspector.
- (20) Pandit Shiromani Pande, Government Inspector.
- (21) Pandit Laxmi Narain Chaube, Government Inspector.
- (22) Sardar Natha Singh Jaspal, Government Inspector.
- (23) Pandit Ram Nath Shukla, Manager, District Co-operative Bank, Ltd., Mainpuri, visitor.
- (24) Babu Rikhashwari Pershad Singh, Assistant Manager, Unao Town Bank, Ltd., Unao, visitor.

Mr. N. K. Kacker of Bareilly was unavoidably absent, but he sent considered notes on most of the important points on the agenda. Babu Har Prashad of Bijnor, Babu Prag Narain of Unao, and Dr. Manohar Lal of Aligarh were also unable to attend the meetings.

An agenda was circulated by the Registrar among the members of the committee one week before the date of the first meeting, and the recommendations of the committee are noted below :—

I.—The revision of the arbitration rules.

The Registrar explained that experience had shown that the present Government rules laying down the procedure for arbitration need amplification in various respects. The Provincial conference, which met in December, 1917, considered the procedure in some of its aspects, but no definite action had so far been taken and there were also some other points which required provision. A series of rules had accordingly been drafted for submission to Government to replace the existing rules 17 to 22, and he wanted to have the benefit of the committee's opinion on them.

The most important question of principle considered by the committee was whether or not the power of the Local Governments to make rules under section 43 of the Co-operative Societies Act was restricted within the limits of the phraseology

adopted in the various clauses of sub-section (2) of that section, so far as the subjects mentioned in those clauses were concerned. The committee held that it was clear that no such limitation of power was intended. Sub-section (1) of section 43 gave the Local Government very wide powers to make rules to carry out the purposes of the Act, and in sub-section (2) itself it was specially provided that rules in particular on the subjects mentioned in clauses (a) to (t) of that sub-section might be made without prejudice to the generality of the power given in the preceding sub-section. It was clear, therefore, that these clauses were merely illustrative of the subjects on which rules might particularly be made, and it was not intended to restrict the Local Governments' powers by the language adopted in them. All that was necessary for the Local Governments was to see that the rules made by them were consistent with the general provisions of the Act. In view of this opinion the committee thought that it would be more suitable if in promulgating its rules the Government simply quoted the authority of section 43 as a whole, without making any special reference to the various clauses of sub-section (2), treating those clauses merely as indicative of the subjects on which it might specially make rules. This is apparently the practice which has been adopted by the other Local Governments.

The rules drafted were then very carefully and fully discussed *seriatim*, and the committee unanimously agreed to recommend the following:—

Arbitration.

Compare present rule 17. "Between two or more registered societies" is new. It appears desirable to provide arbitration for such disputes also. It also seems desirable to add that the reference

(1) Any dispute touching the business of a registered society between members or past members of a society or persons claiming through a member or past member or between a member or past member

committee

or any officer or between two or more registered societies shall be referred in writing to the Registrar.

Compare present rule 18. The provision for the appointment of a single arbitrator is new. It exists in certain other provincial rules and will be a convenience [vide Bombay 30 and Bengal 14 (2)].

(2) (a) The Registrar on receipt of a reference shall either decide the dispute himself or refer it for decision to an arbitrator appointed by him or to three arbitrators, of whom one shall be nominated by each of the parties to the dispute and the third by the Registrar, who shall also appoint one of the arbitrators to act as chairman.

New. Provision is required to give member societies a voice in the selection of an arbitrator.

(b) If a party consists of more than one person they shall all be required to nominate one arbitrator, and if they fail to do so or nominate more than one person, the Registrar shall appoint either one of the nominees or some other person of his own choice.

Present rule 19. "Shall" at the end is changed into "may" to enable the Registrar to give another opportunity of nomination, if he considers it desirable.

(c) When any party to a dispute fails to nominate an arbitrator within fifteen days of the receipt of notice from the Registrar requiring him to do it, the Registrar may himself make the nomination.

New. Power to summon witnesses and documents is necessary, otherwise the proceedings may come to a standstill (vide Bombay 31).

(3) In these proceedings the Registrar, the arbitrator or the chairman of the arbitrators, as the case may be, shall have the power to administer oaths and

New. Mode of service requires to be clearly laid down (vide Bombay 31, last portion).

New. This is an important question of procedure and may well be made clear.

New. Necessary to make the proceedings effective. Penalty is provided in other provincial rules (vide Bombay 38).

Compare present rule 20.

New. It is an important part of the procedure and should therefore be incorporated.

New. It is needed to make awards, given after the expiry of the time fixed, legal.

to require by summons the attendance of the parties concerned and of witnesses and the production of all books and documents relating to the matter in dispute.

(4) Summons and notices under these rules may be served—

(i) by registered post,

(ii) by personal service through the secretary or a member of the staff of the financing or supervising society, or

(iii) by affixing a copy of the notice at the last known place of residence or business of the person concerned.

Service of a summons or notice on the sarpanch, the secretary or the manager of a society shall be regarded as service on that society.

(5) The sufficiency or otherwise of the summons or notice shall be decided by the authority which issued the same.

(6) Any witness or person concerned duly summoned by the Registrar or the arbitrator or the chairman of the arbitrators to appear or to produce any document failing to do so shall be liable to the penalties prescribed in paragraph 7(2) of the 2nd schedule of the Code of Civil Procedure, 1908, and shall, on that fact being brought to the notice of the Subordinate Judge of the district or the court having the lowest civil jurisdiction over the area in which such person or witness resides, by the Registrar, the arbitrator or the chairman of the arbitrators, as the case may be, be proceeded against as though he had been summoned by that court.

(7) (i) A memorandum of the statements of the parties who attend and of such witnesses as are examined shall be made, and upon the evidence so recorded and after consideration of any documentary evidence produced by either party, a decision or award, as the case may be, shall be given in accordance with justice, equity, and good conscience.

(ii) A copy of the decision or award shall be given to each party, certified and sealed as the Registrar may direct.

(iii) The arbitrator or arbitrators shall give an award within the time fixed by the Registrar. Provided that no award shall be invalid by reason of its being given after the expiry of the time

New. This is the vital part of the procedure, and should clearly be laid down for the guidance of the arbitrators as well as of the civil courts which execute the decrees.

The committee held that it was competent for Government, while framing rules for arbitration procedure, to lay down the manner in which the decrees obtained against a society may be executed against its individual members in enforcement of their joint liability.

Vide Order XX, rule 6, Civil Procedure Code.

New. This is the practice, but it should be made clear (vide Bombay 32).

New. This is the practice, but it should be made clear (vide Bombay 32).

New. This provision is needed as experience has shown that simply to delay the proceedings an arbitrator sometimes avoids attendance on flimsy excuse.

Amplifies present rule 21 (1).

Compare present rule 21 (2).

fixed, if an application for extension is made and granted previously or subsequently by the Registrar.

(8) (i) The decision or the award shall contain the number of reference, the names and descriptions of parties, and particulars of dispute, and shall specify clearly the relief granted, the amount decreed, future interest allowed, if any, and the costs awarded.

(ii) When a relief is sought against a society the decree shall contain the names of the constituent members of the society, and in the case of a decree against a society of unlimited liability it shall also mention that all its members are jointly and severally liable for the amount decreed.

(iii) No award shall be invalid by reason of its not complying with the provisions mentioned above or by reason of any other irregularities.

(9) In the case of absence of any party to the suit duly summoned the dispute may be decided *ex parte*.

(10) In cases where three arbitrators are appointed the opinion of the majority shall prevail.

(11) If one of the arbitrators fails to attend or refuses to work as an arbitrator, the remaining arbitrators may decide the dispute, and if there is a disagreement between them, they shall refer the case with their respective opinions to the Registrar whose decision shall prevail. If two arbitrators fail to attend or refuse to work as arbitrators and the claim is not admitted, the remaining arbitrator shall refer the case to the Registrar, who may authorise him to give an award, or appoint one or two other arbitrators to proceed with the reference or decide the case himself.

(2) (i) Any party considering itself aggrieved by the award of an arbitrator or arbitrators may appeal to the Registrar within one month of the date of the award, and the Registrar shall pass such order as he deems fit. Provided that the time taken in obtaining a copy of the award shall be excluded in counting the period of one month.

(ii) A decision of an arbitrator or arbitrators under these rules if not appealed against within the said period and an order of the Registrar shall, as

between the parties of the dispute, not be liable to be called in question in any civil or revenue court and shall in all respects be final and conclusive.

New. Clearly needed (vide. Bombay 35).

(13) Awards of arbitrators and orders of the Registrar shall, on application to any civil court having local jurisdiction, be executed in the same manner as a decree of such court.

Present rule 22.

(14) In these proceedings a party shall not be represented by any legal practitioner.

II.—Amendment of Government Rule 31 so as to allow of the undistributed profits of one year being carried over to the following year's accounts.

Government rule 31 (Manual, volume I, page 26) requires that all the profits of a registered society, less the amount distributed to members in accordance with section 33 of the Act and the rules made or any general or special order issued thereunder and less amount, if any, contributed to charitable purposes under section 34, shall be credited to the reserve fund. The rule thus contemplates that practically no profit should remain undistributed to be carried over to the accounts of the following year. Recent insistence, however, on the exclusion of all over-due interest from the profits available for distribution, had led some societies to urge that provision should be made to carry forward the profits thus left undistributed. There can be no doubt that this is permissible as mention of profits of past years is made in section 33 of the Act (6th line).

The ~~It was urged~~ that the rule had never in fact been strictly observed, inasmuch as allotments to various funds not provided for in it had all along been made from the profits left after the distribution of dividend, and that there must now be provision for dealing with undistributed profits.

If this proposal is approved, the word "in" in the first line of rule 36 shall have to be replaced by "for."

III.—Exclusion of over-due interest from distributable profits and how to deal with it in the accounts.

The last Provincial conference agreed that all over-due interest should generally be excluded for the purpose of reckoning profits for distribution among share-holders, but in the case of central societies it thought that the Registrar might permit, in special cases, an exception from this rule in favour of preference share-holders when necessary.

The Registrar suggested last year that the following items might be added at the bottom of the profit and loss statement by way of note outside that statement, viz. :—

(a) Deduct the amount of unrealized over-due interest from the amount entered against item no. 11.

(b) Add such unrealized over-due interest as has been allowed to count for paying dividend to preference share-holders.

(c) Total profits available for distribution.

This practice was followed in the last year's profit and loss statement.

A question now arose as to the manner in which the undistributed profits, in the shape of unrealized over-due interest, should be carried forward to the next years' accounts.

(1) The committee agreed that the object in view would be secured by simply carrying forward with other items of undistributed profits against item 1 on the profit side of the statement, the difference, in the case of a profit, between the figures entered against items 11 and (c) on the loss side of the previous year.

All recoveries made out of the amount brought forward as profits from the last year against item 1 on the profit side should necessarily be excluded from the figures shown against item 2 on the same side. These instructions might be added to the Registrar's circular no. 194, dated the 29th July, 1918.

It was also agreed that the present entries marked 12 on the profits and loss sides, and 13, 14, and 15 on the loss side under the Registrar's circular mentioned above, may be marked as (a), (b), (c), and (d), respectively, to make clear their exclusion from the main account.

(2) It was suggested by some members that there was some ambiguity at present about the meaning of the term "over-due interest." The committee thought that there should be no occasion for any ambiguity. Interest on the whole amount of a loan outstanding at a particular time becomes due on the date on which an instalment of the loan falls due, and any interest which is not paid on the date when it falls due becomes over due.

The committee suggested that the Registrar might make this interpretation clear while revising his circular no. 194 mentioned above.

(3) For the purpose of these instructions the committee held that over-due interest on loans whose repayment was postponed should be treated as "over-due."

IV.—Nomination of successors by the share-holders of central societies.

Section 22 of the Act provides that on the death of a member a society may transfer his share or interest, or pay the value of his share or interest and also all other moneys due to him from the society, to the person nominated in accordance with the rules made in that behalf, or, if there is no person so nominated, to such person as may appear to the committee to be his heir or legal representative. It also provides that all transfers and payments made in accordance with these provisions shall be valid and effectual against any demand made upon the society by any other person.

The rule made by the Local Government in this behalf makes it compulsory on the part of every person admitted as a member of a society to nominate a person to whom, in the event of his death, his share or interest may be paid or transferred (rule 27, Manual, volume I, page 29).

It was explained that it had been found very difficult in practice to secure compliance with this rule. Preferential share-holders of central societies were generally very reluctant to nominate successors, and there being a single form prescribed for such nominations and the declarations of acceptance of the societies' byelaws, required by rule 9 of the Government rules, this latter document, which was a much more important one, was also usually inordinately delayed. Then, there were not infrequently made such absurd nominations under pressure as "my estate," "whoever may be my legal heir at the time of my death," and so forth. One lawyer member actually repeated his own name in the column provided for the nomination of successor!

There appeared no special advantage in insisting on nominations, and in view of the provisions of section 22 of the Act there was clearly no need for such insistence. In other provinces like Bombay, Bihar and Orissa, Burma, and the Punjab the provision was merely permissive and not compulsory.

The committee agreed that it should be left to the option of members to make nominations for the purposes of section 22 of the Act, and recommended that Government rules 27 to 30 should be amended accordingly. Some of the members also thought that to make nominations effective they should be attested by two witnesses in every case.

V.—Instructions relating to the liquidation of old debts of members of primary societies.

The Registrar explained that there appeared to be some misunderstanding regarding the attitude that primary credit societies should adopt towards the old

outside debts of their members. In paragraph 21 of the General Instructions (Manual, volume I, pages 50 and 51) there is an instruction which runs as follows:—

“ The organizers should then explain to the members that the first loans issued should be only for current expenses and not for objects like the repayment of old debts or sinking of wells. Loans for such objects should be issued only after the society is well established and has had experience of repayments made by members.”

This instruction was sometimes understood to mean that the advancing of loans for repayment of old debts on or shortly after the organization of a society or to a newly-elected member was absolutely prohibited. And the result was that in many cases money which could have been more usefully employed in clearing off old debts held on exorbitant rates of interest, was almost forced on members to be spent on scarcely necessary objects under cover of “ current expenses.” Needs were thus not unoften created to justify advances. No attempt was made to see whether, in view of the status and the reliability of a new member and the exacting nature of his old debts, it was not necessary or desirable to make some arrangement for lightening his burden. The instruction quoted above was obviously intended to mean only that in the case of new members their immediate current needs should receive preferential consideration to their old debts and that large and long-term advances for liquidation of old debts should, as a rule, be avoided till the reliability of such members had been satisfactorily tested. It was not intended to mean that even if the *haisiyat* and reliability of a member could not be doubted and his greatest need was the lightening of the heavy burden of his old debts, it should still be regarded as a rule of thumb that no advances should be made to him to help him in the liquidation of those debts. It appeared, therefore, desirable to clear up the question of the relation of societies to the old debts of their members, and with that object in view a set of instructions had been drafted which were laid before the committee.

The committee recognized the importance of proper and adequate attention to the old debts of members, and recommended the adoption of the instructions as drafted.

They are as follows:—

- (1) It should be the ultimate object of every credit society to secure the entire extinction of all old debts of its members, and its own substitution for the money-lender as their sole creditor. Persons, therefore, too heavily indebted to make their extrications practicable should never be admitted into a society.
- (2) It is not desirable for a society to effect an immediate and wholesale clearing-off of the old debts of its members as such a course is likely to weaken self-effort in them. Every endeavour should primarily be made to require the members to liquidate their debts from their own savings. But when a creditor is troublesome or threatening, or when the rate of interest on an old debt is particularly high or the terms of the loan are particularly exacting, and the society possesses funds to spare from the immediate current needs of its members, it may make advances, within the *haisiyat* limit of the members, for the liquidation of such debts.
- (3) Every indebted member should be induced and helped by the panchayat and the organizer or the supervisor in charge to frame a scheme of liquidation of his old debts, and the scheme so framed should be briefly recorded in the proceedings book of the society, noting the names of the mahajans, the amounts of the debts, the sums which the members concerned propose to pay every season towards the payment of those debts, the sources from which such payments are to be made and the length of time in which the debts are to be repaid. The societies should then watch that these schemes are punctually carried out.

- (4) The period fixed for the repayment of loans advanced to repay old debts should not be so short as to make it impossible for the member to fulfil his liability without recourse to fresh outside debt. As a general rule, if the amount advanced for this purpose does not exceed the annual income or the annual rent of a member, such period may not exceed two years. If the amount exceeds the annual income or annual rent, the period of loan may exceed two years but not five years. In all cases where the period of loan exceeds one year, repayments should be by compulsory annual instalments and agriculturists should be encouraged to pay by six-monthly instalments.
- (5) Members who fail either (a) to abide by the terms of their scheme of repayment of old outside debts, or (b) to utilize the loan which they take from their society for repayment of their old debt, on such repayments, or (c) to repay the fixed instalments of such loans, should not be given any new loans for subsidiary purposes such as personal expenses, ceremonial expenses, litigation charges, purchase of cows and buffaloes for milk, etc. The panchayat and the supervisor in charge should keep themselves informed about these matters, and in making recommendations for fresh loans it should be clearly stated whether the applicants have fulfilled their undertakings in the respects mentioned above.
- (6) At the audit of the accounts of primary societies a note should always be given at the end of the audit note, with figures to show the progress made by the members in the liquidation of their old debt since the registration of the society.
- (7) These instructions should apply not only to societies which may now be

VI.—The legality and suitability of the pronote.

FORM A.

It was explained to the Committee that the present position in regard to the form on which pronotes were taken was this. Form A which was in general use provided for repayment of loans either on demand or by fixed instalments. Loans were generally repayable by instalments, and the instalments fixed were entered on the margin of the prescribed form. It was a question whether this was a satisfactory practice. When the forms of pronotes and bonds were being settled, eminent legal opinion was taken and the forms in use were based on that opinion. A high authority who dealt fully with the whole question of the relative merits of a pronote and a bond declared that while an "instalment pronote" was not illegal, he did not consider it desirable and would recommend it when the pronote was executed by an individual borrower. He stated that the essentials of a pronote, as distinct from a bond, were the following, viz :—

- (1) That it must be unconditional.
- (2) That it must specify a certain sum.
- (3) That it must specify a sum of money.
- (4) That it must be a promise to pay.

The question was discussed at the last conference of Registrars at Simla, and the consensus of opinion was that if instalments were entered in a pronote that document became a bond, and that there could not be a pronote and a contract to pay by instalments side by side. It was stated by a member from Bombay that "the practice of most of the joint stock banks is that they took a pronote and also took a letter written by the borrower saying that as regards the pronote he agreed to pay the sum after, say, a year and it was understood that the amount was not to be called for within a year. The final decision of the conference was expressed as follows:—

"We recognise that the pronote system has special advantages and that it possesses features which render it acceptable to joint stock banks.

The instalment system also has advantages and it is impracticable to do without it. We recommend that instalments should invariably be fixed as a matter of concession, leaving the pronote in full legal force."

This conclusion practically implied that in the body of the pronote itself no instalments should be mentioned.

The committee agreed in the view taken of the matter by the Registrars' following recommendations:—

- (1) The remarks printed on the margin of form A should be deleted and no mention of any instalments should be made in the pronote.
- (2) The instalments fixed should be entered in the ledger at present and must as a rule be acted on, but legally they should only be treated as a concession distinct from being a part of the agreement.
- (3) When instalments extend over a period of more than three years, the pronote should be renewed, or a fresh acknowledgement of the balance taken, at the expiry of three years, for which period only a pronote is operative.
- (4) In such cases it may be necessary to have two subsequent pronotes: one for the balance of the principal loan which should carry interest, and another for the amount of over-due interest, which should be without interest. Or to make the transactions simpler, when instalments extend over three years, a bond may be taken instead of a pronote.

VII.—Need for a uniform levy of audit fees from registered societies to enable the Registrar to employ a permanent staff for the original annual audit.

Clauses 1 and 2 of section 17 of the Co-operative Societies Act make it compulsory ~~of over-due debts and a~~ valuation of assets and liabilities, should be made for every registered society by a person authorized by the Registrar.

Under the present system such annual audit is done by the following classes of persons under the orders of the Registrar:—

- (1) Government Inspectors.
- (2) Auditors working under the orders of the Registrar and paid, according to the work done by them, by fees levied from societies under Government rule 13.
- (3) Honorary staff of central societies.
- (4) Paid staff of central societies specially selected by the Registrar.
- (5) Whole-time auditors employed by central societies who work directly under the orders of the Registrar.

This system has not been found to work altogether satisfactorily. The question of the desirability of all central societies accepting responsibility for meeting the cost of audit from their existing margin of profit and of all established central societies accepting liability to pay a uniform fee from which auditors might be regularly and adequately paid was discussed at the Ninth Provincial conference (vide pages 29 and 30 of the printed report). The Registrar explained as length at that conference that the general standard of fee-paid auditors was unsatisfactory, the arrangement not offering good enough terms to attract the class of men they wanted. There was uncertainty of employment, and uncertainty as to regularity of payment. The system was also apt to generate friction with individual banks, both between the auditor and the bank, even between the bank and the Registrar. There had been cases where a bank withheld payment of fees or paid with ill-grace because the auditor had revealed defects and *farzi* work which the bank did not like revealed or did not believe existed. There was no doubt they should get much better auditors for their money if there was regular monthly payment. And it was all-important that they should have the best auditors that they could afford. The system also involved somewhat invidious discrimination between the banks to which was audited free of charge by the

Government staff and which had to pay for audit. For these reasons the Registrar suggested that the central banks should accept a levy proportioned to the working capital to cover the cost of audit. The conference, however, decided that the Government might justifiably be asked to assist the movement with a staff of Government-paid auditors, and that meanwhile the existing arrangements be continued.

The present Registrar explained to the committee that the decision clearly did not meet the question at all, for even a substantial addition to the Government staff could not possibly relieve the central banks of their responsibility to meet the cost of annual audit. They were already meeting that cost to a considerable extent, and quite rightly of course, for audit is by no means the least important object for which they secured the large margin in the rates of interest charged from the primary societies. What was needed more than anything else was to improve the defective system on which the auditors were at present paid. Apart from the fact that it gave them no certainty of employment and their fees were long delayed, their independence too was not adequately secured of which some instances had come to his notice.

The honorary workers and the supervising staff of the banks, on the other hand, had or ought to have their hands too full with supervision and other important duties, such as propaganda and education, to divert without disadvantage, their attention to audit. Moreover, the paid staff of the bank being themselves concerned with the working of the societies, and their appointment and dismissal depending upon the banks, could not be expected to be sufficiently disinterested, independent or critical for the purpose of a satisfactory audit. This aspect of the case was discussed by the last conference of Registrars at Simla, and the consensus of opinion was that the auditors should not be the servants of the central banks depending upon them for their pay, promotion or appointment.

The Committee on Co-operation recommended (vide recommendation no. 101) that the original audit should be done by a single cadre for the whole province and maintained by a levy on the banks. This staff should be independent of the banks and work entirely under the orders of the Registrar, who was responsible for audit.

For these reasons the Registrar proposed that every central bank should be required to pay a uniform fee for the audit of its own accounts and of those of its primary societies at the following rates calculated on the working capital as it stood at the close of the co-operative year ending on the 30th June preceding :—

(a) Eight annas per hundred rupees subject to a maximum of Rs. 250 in the case of a central bank.

(b) Four annas per hundred rupees subject to a maximum of Rs. 100 in the case of a primary society.

No central bank or primary society should be liable to pay the fees until after one year from the date of its registration, and the Registrar should be allowed the power to remit either wholly or in part the fee payable by any registered society. It should also be open to the Registrar to charge fees direct from large primary societies such as stores, etc., and also from such primary societies as practically do the whole of their business with their "own" capital.

These rates would yield, if no exceptions were allowed, a total amount of Rs. 24,948 on the last year's working capital as shown below :—

	Working capital	Rate of fee.		Total fee realizable.
	Rs.	Rs. s. p.		Rs.
(i) 33 district central banks	54,83,822	250	0 0 each	8,250
(ii) 18 small central banks	5,45,567	0	8 0 per 100	2,728
(iii) 3,039 primary societies	53,87,926	0	4 0 per 100	13,470
(iv) add for stores, etc.	2,00,000		Ditto.	500
	1,16,17,315			24,948

The central banks during the year ending the 30th June, 1918, received Rs. 5,38,677 on account of interest and paid in interest on loans and deposits Rs. 2,87,994. They had thus a net profit in interest of Rs. 2,50,683, and the fees payable would, therefore, come to about 10 per cent. of the net profit. This should hardly be considered excessive. The central banks were even now responsible for meeting the cost not only of their own audit but also of the audit of their primaries, and according to the existing Government rule 13 the maximum fees for audit that the Registrar could charge were Rs. 2 per thousand rupees of the assets. At this rate they should pay about Rs. 22,836 excluding the travelling allowances which would be included in the proposed charge. There would thus be practically no difference in the liability. On the contrary, there would be some advantage to the central banks, inasmuch as it would probably be possible for them in many cases to curtail their expenditure on the existing establishment charges or get greater supervising work from their staff.

These fees would enable the Registrar to employ a permanent staff of 20 auditors on salaries of Rs. 60 and Rs. 100, who would, it was expected, be sufficient to deal with the audit of about 30 central banks and 2,160 primary societies, at the rate of 15 and 120 per auditor, respectively. There were 51 central banks and 3,039 primary societies on 30th June, 1918. Twenty-one and 879 societies, respectively would thus be left over, and the Registrar would arrange to get these audited by the Government staff. He did not consider it either necessary or feasible at this stage to have a double system of audit: an annual audit to be paid for by the societies, and a super-audit once every two or three years to be done by the Government staff.

The committee considered the proposal very carefully and unanimously agreed to the principle suggested by the Registrar. The non-official members, however, led by Rai Mohan Lal Bahadur of Hardoi, urged that the rates of fees in the two cases should be reduced to six annas and three and a half annas, respectively, and the maximum in the case of central banks to Rs. 200. These rates would bring in a total amount of Rs. 20,908 and at rates of pay suggested by the committee, ranging between Rs. 50 and Rs. 100, would provide for the employment of 18 permanent auditors. The burden on the Government staff would correspondingly increase. These proposals were accepted by the committee.

The committee's estimate of income and expenditure was as follows:—

Receipts.

		Rate of fee.	Total fee.
			Rs.
(i) 33 large central banks	..	.. 200 each ..	.. 6,600
(ii) 18 smaller central banks	..	.. 6 as. per 100	.. 2,084
(iii) 3,039 primary societies	..	.. 3-6 " " ..	.. 11,786
(iv) Stores, etc.	..	.. 3-6 " " ..	.. 430
			20,208

Expenditure.

				Rs.
Four auditors at Rs. 50 each	..	..	..	.. 2,400
Five " " " 60 "	..	..	..	.. 3,600
Four " " " 75 "	..	..	..	.. 3,600
Three " " " 90 "	..	..	..	.. 3,240
Two " " " 100 "	..	..	..	.. 2,400
Travelling allowance	..	..	..	.. 5,000
Miscellaneous charges	..	..	..	.. 600
				20,900

The committee would, however, leave the details of expenditure entirely to the discretion of the Registrar.

VIII.—Revised rules for liquidation proceedings.

The committee considered the rules drafted by the Registrar, and after various amendments recommended their submission to Government for consideration and sanction. The rules as approved by the committee stand as follows:—

LIQUIDATION RULES.

When a liquidator has been appointed under section 42, sub-section (1), of the Act, the following procedure shall be adopted:

1. Immediately on his appointment the liquidator shall take into his custody or under his control all books, registers, and accounts belonging to the dissolved society and all the property, effect, and actionable claims to which the society is entitled.

2. The liquidator shall publish, in such a manner as he may think proper, notice requiring all claims against the society to be submitted to him within one month of the date of its publication. All liabilities recorded in the account books of the society shall be deemed to have been duly notified to the liquidator.

3. The liquidator shall then proceed to determine the dues and other assets of the society and also its debts and liabilities as they stood at the time of the cancellation of its registration. He shall investigate all claims against the society and shall decide questions of priority arising between claimants and shall draw up a scheme for the payment of their dues. Provided that no payment shall be made till the scheme has been approved by the Registrar and that no payment shall be made out of the reserve fund of the society till so much of the assets of the society as can be recovered has been recovered.

[NOTE.—The committee considered the last provision desirable with the object of saving for some object of public utility, preferably the propagation of co-operation, as large a portion of the fund as it may be possible to save.]

4. The liquidator shall determine the contribution to be made by the members and past members of the society or their legal representatives to the assets of the society, and he shall also determine by what persons and in what proportion the costs of liquidation are to be borne. He shall draw up a formal order, noting the amount to be realised from each member or past member or the representatives of a member or past member as a contribution under clause (b) of section 42, sub-section (2), of the Act and as cost of liquidation under clause (d) of the same sub-section.

5. (a) The liquidator shall submit his order and all subsidiary orders under rule 10, together with a list of the property of each member and past member and of the assets of the deceased members and past members and other relevant papers to the Registrar, and the Registrar may, if he thinks fit, modify an order or refer it again to the liquidator for further enquiry or for other action.

(b) The liquidator shall also submit for the approval of the Registrar his scheme and subsidiary schemes, if any, for the discharge of the liabilities of the society.

6. The Registrar may issue instructions laying down the principles on which and the manner in which the contributions shall be determined, and the liquidator shall act according to these instructions.

7. The liquidator shall recover all sums and other properties to which the society is entitled and the contributions which he orders. He may empower any person to make collections and grant valid receipts on his behalf.

8. The Registrar may refer a copy of the order passed by the liquidator finally approved by him to the Collector of the district and make a requisition to that officer to recover the amounts noted in it in the same manner as arrears of land revenue under section 42 A of the Act.

9. If necessary, a copy of the order may, with the approval of the Registrar, be filed by the liquidator in the civil court having local jurisdiction, to be enforced as laid down in section 42, sub-section (5), clause (a), of the Act.

Burma ■ (a).

Bombay ■ (2).

■ Burma 16 (b), first part, and 16 (c).

Burma 37 (3) and (4).

Bombay, part of 37 (4) and (5).

Burma 16 (d) and (e)

New.

Bombay 37 (5).

10. If the sum or ~~sum~~ assessed against any member or members under the liquidator's order cannot be recovered, the liquidator may frame a subsidiary order or orders against any other member or members or their legal representatives, until the whole amount due from the members is recovered, and these orders shall be executed in the same manner as the original order.

B and O (s), Bombay
37 (6.)

11. Any person affected by an order passed by the liquidator under rules (4) and (10) may make such representations as he desires to the Registrar; and the Registrar may pass such orders as he thinks fit.

New.

12. The liquidator shall have power to summon any person whose attendance is required either to give evidence or produce documents and to compel the production of documents. For this purpose he shall exercise the powers of a civil court under the Civil Procedure Code, 1908. He shall also have power to call at any time any member or a general meeting of the members of the society which he is liquidating.

Compare B and O (s),
Bombay 37 (10.)

13. The liquidator may send to the Collector for service or execution all processes for the enforcement of the attendance of the witnesses and of the production of documents, including all orders for the attachment of the property, and for the levy of fines made by the liquidator in exercise of the powers vested in him by section 42 (3) of the Act. Provided that all costs for serving or executing such processes shall be payable in court-fees in accordance with the scale fixed for, and in the same manner as is provided in, the cases of processes issued by revenue courts.

Burma 16(i.)

[NOTE.—This follows Burma (16) (i). It involves, so far as these provinces are concerned, a principle. Liquidators hitherto have employed their own staff for the service and execution of processes. The facilities here asked for have been granted by the Local Governments of Assam, Bihar and Orissa, and apparently the Punjab and Bombay as well as Burma. It should be noted that the power of issuing processes through the district officer is permissive only. The power sought appears to be desirable, because processes so issued and executed are speedier and command readier obedience.]

14. The Registrar shall fix the amount of remuneration to be paid to the liquidator, which shall be included in the costs of liquidation.

Punjab and Burma
16(n).

15. The liquidator shall keep such books and accounts as may from time to time be prescribed by the Registrar, who may at any time cause such books and accounts to be audited.

Burma (j.)

16. The liquidator shall submit to the Registrar a quarterly return in such form as may be prescribed by the Registrar showing the progress made in the liquidation of each society under his charge.

B and O (m), Bombay
37 (7.)

17. All funds in charge of the liquidator shall be deposited in the Post Office savings bank or in such other place or with such other person as may be approved of by the Registrar. With the approval of the Registrar the liquidator shall have power to sell or dispose of any property belonging to the liquidated society.

B. and O. (n.)

18. After recovery of the dues of the society and realisation, as far as may be, of the amount set forth in the order under rules (4) and (10) and discharge of the liabilities of the society, the liquidator shall wind up its affairs and submit a final report to the Registrar with all books, registers, and accounts belonging to the society and all books, accounts, and papers relating to the proceedings which are in his possession.

B. and O. (o) and
Burma (1.)

19. At the conclusion of the liquidation a general meeting of the members of the dissolved society shall be called at which the liquidator shall summarise his proceedings, point out the causes of the failure of the society, and report what sum, if any, remains in his possession after meeting all the liabilities of the society. He shall also ascertain the wishes of the members as regards the disposal of that sum.

Bombay 37 (12) and
others.

[NOTE.—Usually the reserve fund of a society is part of it will remain in the hands of the liquidator. The last clause of this section is necessary in view of Government rule 35 (2) q. v.]

Burma (m.)

New.

20. The liquidator shall be bound to submit such information regarding the liquidation proceedings as may from time to time be required by the Registrar.

21. A liquidator may at any time be removed by the Registrar, and he shall, on such removal, be bound to hand over all the property and documents relating to the liquidation to such person as the Registrar may direct.

IX.—How to avoid cancellation of registration of good primary societies when their central society is liquidated.

When a central society is dissolved all its assets have to be realised, and the primaries under it are required to pay back the loans that they owe it at the time. This they are usually not in a position to do without outside help, and where no such help is forthcoming, either from a neighbouring central society or a newly-organised one, all the primaries have also to be broken up, even though co-operatively some of them may be good or promising. This is an unfortunate result.

(1) The committee held that the unutilised balance of the reserve funds of a liquidated society should in the first instance, be applicable to the object of supporting good working societies in the neighbourhood and it would for that purpose make the following recommendations:—

(i) With a view to securing that as large a portion as possible of the reserve funds of a liquidated society is saved, a provision should be made in the rules relating to liquidation, to debar liquidators from distributing any portion of those funds until as much of the other assets of the society had been realized as could possibly be realised.

(ii) The Local Government's rule 35 (Manual, volume I, page 26) should be amended so as to make the support, where necessary, of primary societies in the neighbourhood the first object to which such balance of the reserve funds of a liquidated society as remains after discharging the liabilities of that society and the repayment of the share capital paid up should be applied.

(2) The committee thought that as there were no rules at present regulating the formation of any other funds except the reserve such as the buildings and bad debt funds, etc., it was doubtful how these latter should be dealt with on the liquidation of a society possessing them.

X.—Disposal of the "reserve fund" of liquidated primary societies.

Rule 35 (2) of the Government rules provides that such portion of the reserve fund of a liquidated society as remains after the discharge of its liabilities and repayment of share capital, etc., shall be—

(1) applied to such local object of public utility as may be selected by the committee and approved of by the Registrar and, failing that

(2) credited by the Registrar to the co-operative society, if any, to which the society is affiliated, or

(3) placed on deposit in some co-operative or other bank until a new co-operative society with a similar area of operations is registered, in which event it shall be credited to the reserve fund of such society.

The position here is that no selection of an object of public utility is practically ever made and the accumulations of undistributable profits of liquidated primary societies are consequently generally credited with the Registrar's sanction to the funds of the financing central societies. The Registrar thought that objects (1) and (3) for the utilisation of such amounts appeared to him much more important than object (2), the most useful object in his judgement, in the present circumstances being object (3), and he would therefore suggest that all such amounts should, as a rule, be only placed on deposit with the central societies, to be either credited as occasion arises to the reserve fund of new primary societies, or applied to some object of public utility.

The committee agreed that the balance of the reserve fund of liquidated primary societies should, as a rule, not be given away to the central societies. While such amounts remained undisposed of, they might, with the Registrar's sanction, be used by the central societies, on interest or otherwise and subject to such notice of withdrawal as the Registrar may direct.

XI.—The points raised in G. O. no. 275/I—441, dated the 6th February, 1919, being the review of the Local Government on the annual report submitted by the Registrar for the year ending on the 30th June, 1918.

The committee took up one by one the important questions raised by the Local Government.

(1) As regards the observation that the co-operative societies were not satisfying the additional needs of their members which were due to an increase in the price of cattle, seed, and labour, etc., and the consequent apprehension that the members might resort to money-lenders, the committee was of opinion that the question was closely connected with the question of laying down rules for the determination of normal and maximum credits which was already receiving the attention of the Registrar. It was recognized that it was impossible to lay down any hard-and-fast rules on the subject for universal application, but the following officers might be asked to consider the practice obtaining under the various central societies and, keeping in view the peculiar circumstances of the various parts of the province, to suggest rules which might help the fixing of credit each locality with special reference to the point raised in the review:—

(1) Mr. S. W. Bobb.

(2) M. Yusuf Ali.

(3) M. Murtaza Ali.

(4) Pandit Laxmi Narain.

(5) Pandit Shiromani Pande.

(6) Thakur Tilakdhari Singh.

This committee was directed to submit its report to the Registrar by the end of June next.

(2) The committee realised the necessity for action on the suggestion of His Honour the Lieutenant-Governor that a long-sighted and considered policy should be adopted in regard to the arrears which had been caused by the special circumstances of the time. They agreed that easy instalments should be fixed for such arrears where necessary, but they apprehended that at the present moment when the banks' staffs and the *panchayats* were busy in making such collections as they could make without causing real hardship, any action to secure that object might lead to a slackening of their efforts. The committee consequently recommended that by the 15th July next the Registrar should obtain from all the central societies reports containing the following information in regard to the accounts with its members of each of the primary societies working under them:—

(i) Arrears on 30th June, 1917.

(ii) Ditto 1918.

(iii) Demand of the year 1918-19.

(iv) Collections during the year 1918-19.

(v) Outstandings on 30th June, 1919.

(vi) Arrears on 30th June, 1919.

(vii) Ditto of interest.

(viii) Proposals regarding future action, viz., liquidation of the society, reference to arbitration or postponement of arrears.

On the receipt of this information an attempt should be made to give a fresh start to all good members by laying down a scheme which would provide for the liquidation of their old outstandings without interference with the meeting of their current normal requirements. But the requisition for the information suggested should not be made before the 15th June next.

(3) The suggestion embodied in the third paragraph of the review, viz., the adoption of co-operative methods to the supply of agricultural requisites and to agricultural work generally had already been under the consideration of the Registrar and formed separate items on the agenda (nos. XII and XIII).

(4) The question of establishing the provincial conference on permanent lines was discussed by the non-official members of the committee. They were of opinion that a beginning in that direction should first be made by constituting a standing committee of selected co-operators, official and non-official, which should regularly meet twice every year and should consider and advise on all matters of importance to the co-operative movement. The committee thought that a standing committee like the one contemplated would, in the present condition of this province, be much more useful than a somewhat unwieldy institution like a provincial conference. The following members were accordingly appointed to constitute the first standing committee:—

- (1) The Registrar of Co-operative Societies.
- (2) Rai Ishwar Sahai Bahadur, Fatehpur.
- (3) Rai Mohan Lal Bahadur, Hardoi.
- (4) Rai Ganga Prasad Bahadur, Mainpuria.
- (5) Rai Saheb Pandit Gopal Das Sharma, Orai.
- (6) Rai Sarup Singh Saheb, Bijnor.
- (7) Babu Radha Motan, Jaunpur.
- (8) Babu Daya Shankar, Budaun.
- (9) Pandit Bishambhar Nath Bajpai, Upao.
- (10) Pandit Ram Chand Naik Kalia, Benares.
- (11) Khan Saheb Kabul Ahmad, Sandila.
- (12) Syed Zahur Ahmad, Lucknow.
- (13) Rev. J. Grant, Mirzapur.
- (14) Mr. C. D. Thompson, Allahabad.
- (15) Dr. Manohar Lal, Aligarh.
- (16) Mr. Jwahar Lal Sinha, Ghazipur.
- (17) Mr. N. K. Kacker, of Bareilly.

The committee or the Registrar should be competent to invite selected officers of the department to attend the meetings of the committee, and when any such officers do attend, they should be regarded as members.

Pandit Bishambhar Nath Bajpai, of Upao, was appointed secretary to the committee and the head assistant of the office of the Registrar, *ex-officio* joint secretary.

The secretary was requested to draft rules relating to the constitution and mode of business of the committee which should be circulated for opinion to every central society and then considered and passed by the next general committee or the provincial conference whichever happens to meet first.

The committee would leave the question of provincial federation to be considered by the standing committee of co-operators which has now been provisionally constituted.

XII.—The question of purchase from growers and re-sale to consumers of improved agricultural crops through co-operative societies,

and

XIII.—The desirability of establishing dépôts as branches of central societies for the supply of seed and implements to agricultural members.

The Registrar explained that these matters of great importance to the large bulk of the people whom the co-operative movement was intended to benefit had throughout received the earnest attention of the department, and they had recently been prominently brought forward to notice by the remarks which His Honour the Lieutenant-Governor had been pleased to make in his review of the annual report submitted by the Director of Land Records and Agriculture for the year ending the

30th June, 1918. They were matters in which little could be achieved without special efforts on the part of non-official co-operators and he wanted, therefore, to draw their particular attention to them. His Honour's remarks which were read out to the committee were as follows :—

“ Mr. Hailey has given a full account of the increasing heavy work that now falls on the Agricultural department in connection with the supply of seed, manures, implements, and other agricultural requisites. In the case of certain improved crops, e.g., American cotton, agricultural officers have also to undertake the business of purchase from the growers and re-sale to consumers. These functions at present occupy much of the time of scientific officers which could be more appropriately devoted to research and demonstration. In the absence of private organisations the department must continue to undertake these operations. The Lieutenant-Governor, however, believes that with further development it will become difficult as well as uneconomical for a State department to perform these functions. His Honour has noticed that in other provinces co-operative societies are playing an increasingly important part in this branch of agricultural organisation. In European countries also credit for the immense development that has taken place in this respect during the last few decades is due largely to the co-operative movement. The experience of the Agricultural department has proved amply that the business is both safe and simple. It is also profitable. Sir Harcourt Butler trusts that the matter will receive the earnest attention of co-operative workers in this province also. It is possible that this type of business may provide an outlet for the surplus funds of the movement for which sound investments are not available at the moment in credit work.”

The committee agreed that every endeavour should be made to extend co-operation in the directions suggested. It noted that at some places in the province seed dépôts had been established and were doing useful work; it recognised that their number was small and that much greater and more widespread effort was needed. It finally came to the conclusion that, in view of the complexity of the matters involved and the need of full consultation with experienced officers of the Agricultural department, a small sub-committee should be constituted which should consider all these matters in all their bearings, take such expert advice as would be of assistance, and formulate and submit to the standing committee which had recently been constituted, such detailed proposals as would secure the object in view.

A sub-committee was accordingly constituted of the following members :—

- (1) The Joint Registrar.
- (2) Rai Ishwar Sahai Bahadur.
- (3) Rai Sarup Singh Saheb.
- (4) Sayed Zahur Ahmad.
- (5) Babu Radha Mohan.
- (6) Pandit Bishambar Nath Bajpai.
- (7) Thakur Hukum Singh.
- (8) Thakur Tilakdhari Singh.

The sub-committee was given the power to add to its members, and the Joint Registrar was requested to convene its meetings. The sub-committee was asked to submit its report as may be practicable.

XIV.—Steps to be taken by co-operative societies help the weavers in purchasing raw materials and selling the produce of the looms.

In his review of the annual report submitted by the Director of Industries for the year 1917-18. His Honour the Lieutenant-Governor was pleased to make the following remarks :—

“ The Lieutenant-Governor thanks that in addition to the instruction given in the schools it is essential that the weavers should be assisted with

advances for the purchase of looms and accessories and, if possible, co-operative organisations should step in for the purchase of raw materials and the sale of the produce of the looms. There has been some extension in the number of hosiery and blanket-weaving classes, although the former has been handicapped by the difficulties experienced in obtaining knitting machines and needles. The hosiery industry has a vast field before it and His Honour is glad to observe that it is gradually establishing itself as a home industry among the lower middle classes of the province."

The Registrar invited the committee to consider the matter and suggest the measures that should be taken to help the weavers in the directions suggested.

The committee thought that the best course would be to constitute a sub-committee consisting of the gentlemen named below which should formulate a scheme for the organisation of a Central Industrial Association whose business should be to develop small industries on co-operative lines.

The committee approved of the Registrar's proposal that there should be at least one special Inspector to look after co-operative organisation of industries :—

Proposed members of the sub-committee :—

- (1) The Joint Registrar.
 - (2) Khan Sahib Kabot Ahmad of Santila.
 - (3) M. Ahmad Husain, Municipal Commissioner, Lucknow.
 - (4) Rai Ishwar Sahai Bahadur, Fatehpur.
 - (5) Babu Bikramjit Singh, Cawnpore.
 - (6) Babu Satish Chandra Ghosh, Superintendent, office of the Director of Industries, Cawnpore.
 - (7) M. Yustuf Ali, Inspector, Co-operative department.
 - (8) M. Murtaza Ali, Inspector, Co-operative department.
- With power to add.

XV.—To discuss what would be the most suitable organisation for the financing and supervision of groups of primary societies formed in large estates at the request of their proprietors.

Some of the big Talukdars of Oudh had recently come forward with a desire to have co-operative societies organised in their estates, not to serve as rent-collecting agencies but entirely for the material and moral benefit of their tenantry. They were willing to invest large sums of money to secure such benefit, and they were also willing to have nothing to do with the internal management of the societies. On the other hand, they also desired that no outside persons should either derive any advantage out of these organisations or have anything to do with their management. The Registrar thought that societies organised on these bases should be very beneficial not only to the tenantry in Oudh intrinsically but also in maintaining good relations, by generating mutual confidence, between big landlords and their tenants.

The committee agreed and thought that banking unions on the lines of those organised in the Punjab would be the most suitable form of central institutions to adopt. Each union might work within a radius of 10 miles. The Talukdars should have no direct concern with the affairs of the union, their financial help being given simply in the form of long-term deposits. Where circumstances require or favour, guaranteeing unions of minor groups might be formed under the banking unions.

XVI.—To discuss the circulars issued by the department for the safe custody of cash of co-operative societies.

It had been represented to the Registrar by his staff that the arrangements for the custody of funds belonging to central and primary societies were inadequate

and did not provide sufficient safeguards against misappropriations. The Registrar informed the meeting of what had been done in the past and invited suggestions for the future.

He explained to the conference that a searching enquiry had been instituted in 1913 into the practice prevalent regarding the safe custody of all moneys received at the central banks and that the results of these enquiries were considered by the conference of 1914. That body was of opinion that no standard rules could be laid down for universal application, but it made a few suggestions and defined certain principles which could usefully be adopted with slight modifications to suit varying conditions. The Registrar thought that these suggestions, which were printed on pages 27 and 28 of the proceedings of the sixth conference held in January, 1914, need hardly be modified or added to, and that it was no use multiplying instructions. All that was necessary, in the opinion of the Registrar, was to take stock of the situation and to see that definite rules on the lines of those recommended by the conference of 1914 were framed and were observed in each district. The members of the committee agreed in this view and requested the Registrar to invite the attention of the banks to the proceedings of the conference. They also concurred with the Registrar that the funds of primary and central societies must be kept in Government treasuries, thanas, and post-offices; and where facilities of this kind were not available, money should be kept in the custody of a private banker or of a member of the working committee of the panchayat.

XVII.—RAI SAHIB SARUP SINGH'S plea for some arrangement to utilise the surplus funds of one central bank in the business of another where they may be needed.

Rai Sarup Singh Sahib of Bijner explained that it was not seldom the case that a bank did not know what to do with its idle money, while there were others which suffered for lack of funds. The Registrar did act as an adjusting medium where the facts came to his knowledge in time, but some systematic arrangement was needed to keep him informed. He suggested that a monthly return should be furnished to the Registrar by every bank showing the cash in hand and the probable time when it would be needed for use, or, if there was no cash in hand the amount which the bank required. This would lead to circulation of co-operative funds and minimise the need for outside help.

The committee approved of the proposal, and recommended that the Registrar might call for monthly returns to be submitted punctually by every bank and containing the following information:—

- (1) Cash balance in hand on the last day of the month.
- (2) Amount that the bank required to be invested, with the rate of interest and the period of investment.
- (3) Amount that the bank wanted to borrow, with the rate of interest which it was willing to pay and the term for which it required the loan.

XVIII.—Consideration of the byelaws of the Co-operative Organisation Society of Bengal with a view to deciding if one cannot be started here on that model.

They have recently started a society in Bengal called the Bengal Co-operative Organisation Society the object of which is the advancement of the co-operative movement in that Presidency. In pursuance of this object the society undertakes—

- (1) to organise a central library of co-operative literature in Calcutta;
- (2) to take over the Bengal Co-operative Journal;
- (3) to publish a Bengali edition of the Co-operative Journal;
- (4) to publish and distribute leaflets and pamphlets containing valuable information;
- (5) to assist the co-operative department in organising special lectures for honorary organisers, employes of societies, and others;

- (6) to organise public lectures on co-operation ;
- (7) to send out organisers to speak or give advice ;
- (8) to further combined action among societies in every possible way for the advancement of common interest ;
- (9) to suggest model rules for new kinds of societies ;
- (10) to act as an information bureau for affiliated societies and the public ;
- (11) to organise a co-operative press ;
- (12) to raise funds, and in general to adopt such other measures as may be necessary to promote the object of the society.

It was worthy of consideration whether a similar organisation might not with advantage be started in this province.

The committee recommended that the question should be referred to the standing committee of co-operators for consideration and report.

XXX.—Suggestion by RAI GANGA PARSHAD BAHADUR of Mainpuri to get a statement from the district and central banks classifying the members of their primary societies according to the areas of their respective holdings.

Rai Ganga Parshad Bahadur holds that the greatest difficulty in the way of success of rural co-operation is the small area of the holdings of the majority of cultivators, which renders it impossible for them to make any substantial economic progress. For an elucidation of his point the Rai Bahadur referred to his article which was published in the "Leader" of Allahabad of the 26th March.

Most of the members of the committee did not agree in the view that wealth of members was any criterion for success in co-operation—on the contrary they thought that the greatest object of co-operation was to provide means for those who possessed no means. The committee was also of opinion that the statement called for by the Rai Bahadur could manifestly serve no practical purpose and it would therefore be a waste of time and labour to prepare it. The Rai Bahadur finally agreed not to press for his motion.

XX.—Reduction of rate of interest and charge for supervision, etc., in the case of primary societies which have accumulated substantial "own" capital.

Such societies offer very much better security to their central societies for such small loans as they take, and it is therefore reasonable that they should be charged a lower rate of interest. On the other hand, these societies still require supervision, but they borrow little and therefore practically pay little towards the cost of their supervision to their central societies.

Another question in regard to such societies is whether they should reduce the rate of interest that they charge from their members. They are mostly old societies who have secured or will shortly secure the freedom of distributing dividend among their members. If they reduce the rate of interest, they will necessarily have lower profits to distribute than if they do not. The question therefore is whether a high rate of dividend would appeal to members most or a low rate of interest. The latter would obviously be more advantageous to the more needy and the new members, while the former would suit better the more affluent and the old.

The committee thought that a reduction in the rate of interest would be the more popular and sounder arrangement, and recommended that in the case of societies whose working is generally good, provision may be made for reducing the rate, with the sanction of the Registrar, from 15 to 12½ per cent.

It also recommended that such societies as reduce their rate of interest should get such loans as they require from their central societies at 10 per cent. instead of the present rate of 12 per cent. At the same time, however, they should pay for supervision and other charges a fee at the rate of 2 annas per rupee of interest realised by them.

(9)